

**Moderately Priced Dwelling Unit (MPDU)  
Payment-in-Lieu (PIL)  
Fee Comparison**



**Current Methodology  
Vs.**



**Frederick Affordable Housing Council (AHC) Proposal**

**May 9, 2017**

Respectfully Submitted by:

**The Frederick Affordable Housing Council**

## MPDU-PIL Fee

### Objectives:

- Extend the PIL fee option in lieu of building MPDUs under the provisions of §1-6A-5.1 of the County Code; and
- Establish a PIL fee that will provide a reliable source of income to help fund the preservation and production of workforce housing and provide for the homeless and persons with special needs.



## MPDU-PIL Fee

### Impact:

- The proposed legislation would maintain the MPDU-PIL option under §1-6A-5.1.
- Virtually all developments with existing Development Rights and Responsibilities Agreements will not be affected by the legislation.
- The Bill would only affect new developments with more than 25 dwelling units.



## MPDU-PIL Fee Formula Components

Adjusted Triennially – Based On

1. Area Median Income (AMI) for Frederick County (FC) is \$108,600 as set by the US Department of Housing and Urban Development. Use fixed 70% of AMI for current year or \$76,020;
2. Median Sales Price based on data from Frederick County Association of Realtors (FCAR). In 2016, MRIS published FC Median Sales Price at \$268,000;
3. Purchase Capacity of a \$76,020 income including 4.5% Federal Housing Administration (FHA) interest rate, 3.5% down-payment and 30% monthly cost burden is \$241,500;

$$\begin{array}{rccccccc} \text{Median Sales Price} & \textit{less} & \text{Purchase Capacity} & \textit{equals} & \text{MPDU-PIL} & \text{Affordability Gap} \\ \$268,000 & - & \$241,500 & = & & \$26,500 \end{array}$$

## Illustration of MPDU-PIL Fee Formula

<u>Current Method</u>	<u>2011 Current</u>	<u>AHC Proposal</u>	<u>AHC Proposal</u>
Income limit for household of 2.7 occupants earning 70% of AMI	\$64,624	\$76,020	Fix AMI at 70% for current year (adjusted triennially (AT))
Blended Foreclosure, DHCD Program & MSRI Average Sales Price	\$179,183	\$268,000	FC Median Sales Price (2016) (AT)
Affordability limit for households (HH) of 2.7 occupants = Income AMI x 2.5	\$161,560	\$241,500	Purchasing Capacity of HHs earning 70% of AMI (AT) @ prevailing FHA interest rate and down-payment requirements w/ cost burden 30%
Affordability Gap (AG) (\$179,183 less \$161,560) =	\$17,500	\$26,500	Affordability Gap (AG) (AT) (\$268,000 less \$241,500) =

## MPDU-PIL Fee Comparison

### 2011 Current Methodology

Total Development Units	100
Number of MPDUs Required: 12.50%	12.50
MPDUs Required x AG of \$17,500	\$218,750
PIL Fee Due ÷ by All Units	<u>\$2,187.50</u>

All Units  
MPDUs Required  
PIL Fee Due  
Per Unit PIL Fee

### AHC Proposal

Total Development Units	100
Number of MPDUs Required: 12.50%	12.50
MPDUs Required x AG of \$26,500	\$331,250
PIL Fee Due ÷ by All Units	<u>\$3,312.50</u>

All Units  
MPDUs Required  
PIL Fee Due  
Per Unit PIL Fee



## AHC Proposal Vs. Current Methodology

AHC Proposal MPDUs Required x \$26,500	\$331,250
<u>Current Methodology MPDUs Required x \$17,500</u>	<u>-\$218,750</u>
Development Increase	\$112,500
AHC Proposal PIL Fee Due ÷ by All Units	\$3,312.50
<u>Current Methodology PIL Fee Due ÷ by All Units</u>	<u>-\$2,187.50</u>
Per Unit Increase	\$1,125.00

All Units

Per Unit PIL Fee



## MPDU Pipeline and Prospects

Term of Current PIL Agreements 2012 - 2037	PIL Fees <u>Projected</u> \$27,649,810	PIL Fees <u>Collected</u> \$4,625,592	Tier 1 Pipeline <u>2,045</u> 144	Tier 2 <u>Prospects</u> 62	Tier 3 <u>Prospects</u> 344	Tier 4 <u>Prospects</u> 391
MPDU <u>Pipeline</u> 2,435	MPDUs Under <u>Construction</u> 1,044 TBD 1,001	MPDUs Construction <u>Complete</u> 390	PIL Fees <u>Projected</u> \$477,000	PIL Fees <u>Projected</u> \$205,375	PIL Fees <u>Projected</u> \$1,106,375	PIL Fees <u>Projected</u> \$1,295,187

Tier 1: PIL in place, designated residential, approved subdivision, site plan, under Comp. Plan

Tier 2: No PIL in place, designated residential, within Comp. Plan, no development approvals in place

Tier 3: No PIL in place, designated residential, within Comp. Plan, zoned Agricultural, no development approvals in place

Tier 4: Future Growth Area, zoned Agricultural; requires rezoning, inclusion in Comp. Plan, development approvals and PIL





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